

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6079

BILL NUMBER: SB 17

NOTE PREPARED: Jan 18, 2006

BILL AMENDED: Jan 17, 2006

SUBJECT: Income Tax Credit for Toll Road Tolls.

FIRST AUTHOR: Sen. Zakas

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill provides an income tax credit to individuals who pay tolls to drive on the Indiana Toll Road. It provides that the amount of the tax credit may not exceed \$300. It also provides that a husband and wife filing a joint return may not claim a credit exceeding \$300. The bill provides that the tax credit may not exceed an individual's Adjusted Gross Income (AGI) Tax liability.

Effective Date: January 1, 2007.

Explanation of State Expenditures: The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new tax credit for tolls paid by an individual on the Indiana Toll Road. The Department's current level of resources should be sufficient to implement this change.

Explanation of State Revenues: *Summary:* The bill could reduce AGI Tax liabilities of individual taxpayers who pay tolls to drive on the Indiana Toll Road. Assuming there are 10,000 to 15,000 Indiana resident commuters who daily utilize the Toll Road, the revenue loss could range from \$3.0 M to \$4.5 M annually beginning in FY 2008. The actual fiscal impact could be higher than estimated depending on: (1) the extent that non-commuter Indiana residents utilize the Toll Road and claim the credit for tolls paid; and (2) future increases in the regular toll schedule that would increase potential credits up to the \$300 maximum for non-commuter users of the Toll Road.

Background: The bill establishes a nonrefundable AGI Tax credit for individual taxpayers for tolls paid to drive on the Indiana Toll Road. The credit is equal to the lesser of: (1) the amount of tolls paid by the individual during the taxable year; or (2) \$300. Joint filers are also limited to \$300 on the return. The tax credit is

nonrefundable, and taxpayers are not entitled to carryback or carry forward unused tax credits.

The revenue loss estimate is based on average daily traffic volumes reported by the Indiana Department of Transportation (INDOT) along the Toll Road; testimony by the Commissioner of INDOT indicating that about one-third of the daily volume is attributable to Indiana residents; and the current toll schedule, including the special commuter toll schedule from Portage to the Eastpoint Barrier. INDOT's 2002 traffic volume report suggests that the average daily volume on the Toll Road is about 24,000 from Portage to the Eastpoint Barrier, and about 37,000 from Gary to the Westpoint Barrier. Thus, an estimated 8,000 Indiana residents use the Portage-Eastpoint Barrier span daily, and an estimated 12,000 Indiana residents use the Gary-Westpoint Barrier span daily. The median one-way commuter toll for the Portage-Eastpoint Barrier span is \$1.40, and for the Gary-Westpoint Barrier is \$0.65. The estimated revenue loss assumes that 50% to 75% of the daily volume attributable to Indiana residents is from commuters.

Since the bill is effective beginning in tax year 2007, the fiscal impact would begin FY 2008. The revenue from the individual AGI Tax is deposited in the state General Fund (86%) and the Property Tax Replacement Fund (14%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: STATS Indiana, *Annual Commuting Trends Profile Based on Indiana IT-40 Returns for Tax Year 2003*, <http://www.stats.indiana.edu/commframe.html>; Indiana Department of Transportation, *2002 Interstate Annual Average Daily Traffic Volumes*; Thomas Sharp, Commissioner, Indiana Department of Transportation.

Fiscal Analyst: Jim Landers, 317-232-9869.